

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE EFFECTS OF THE FEDERAL TAX REFORM)
ACT OF 1986 ON THE RATES OF CONTINENTAL) CASE NO. 9799
TELEPHONE COMPANY OF KENTUCKY)

O R D E R

On December 30, 1986, counsel for Continental Telephone Company filed a Motion to Reconsider the Commission's Order of December 11, 1986. The Motion raises several issues about the Commission's authority to pursue the type of investigation initiated by that Order.

As should be clear from the Order itself, it is merely preliminary in nature. It does not foreclose any rights of the parties. It announces a proceeding which will ultimately attempt to resolve the difficult questions created by the Tax Reform Act ("TRA"). Apparently, Continental has assumed that because proposed rates - without an effective date - must be filed, those rates will be implemented. That is not a correct assumption. These rates are to be filed as an adjunct to the other information the parties must file, which relates to the overall impact of the TRA on the company in general and its rates in particular.

The Commission also recognizes that the parties have the right, and will be afforded the opportunity, to present any

factual, financial or legal matters in written or oral comments, which may be presented during the course of this proceeding. Because of the breadth of this investigation and the number of parties involved, it is necessary to categorize some information into a consistent, well-defined scope. That scope is explained in the December 11, 1986, Order. The information as it relates to the specific changes occasioned by the TRA should be filed as the December 11, 1986, Order requires. The expected effects of those changes on rates should be filed as well. Simply because the Commission deems certain information necessary, and deems it necessary to be filed in a particular format does not preclude the filing of other information a party believes is pertinent.

For these reasons, the Commission ORDERS that:

(1) All parties shall comply with the December 11, 1986, Order;

(2) Any party may file any additional information it deems relevant;

(3) Any party may file alternative proposals for the resolution of this investigation.

(4) Paragraph 3, Section C of the December 11, 1986, Order is amended to read: The phase-in of rates reflecting the full tax reduction or increase.

(5) Paragraph 4 of the December 11, 1986, Order is amended to read:

(4) Continental shall file the appropriate rate schedule(s) indicated in this Order bearing no effective date and reflecting the amount of the tax savings or tax increases, with supporting documentation.

Done at Frankfort, Kentucky, this 21st day of January, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick
Chairman

[Signature]
Vice Chairman

[Signature]
Commissioner

ATTEST:

Executive Director